

**Exhibit 2**

**IN THE MATTER OF THE ARBITRATION  
BETWEEN:**

NATIONAL UNION FIRE INSURANCE	-----X
COMPANY OF PITTSBURGH, PA, ON	:
BEHALF OF ITSELF AND EACH OF THE	:
RELATED INSURERS THAT PROVIDED	:
COVERAGE TO RESPONDENT,	:
Claimants,	:
-and-	:
GAINEY CORPORATION,	:
Respondent.	:
-----X	

**DEMAND FOR ARBITRATION**

**TO:** Gainey Corporation  
6000 Clay Avenue SW  
Grand Rapids, MI 49548-5785  
Attn: Mr. Harvey Gainey  
President

Claimants are National Union Fire Insurance Company of Pittsburgh, Pa., on behalf of itself and each of the related insurers that provided coverage to the Respondent pursuant to the Agreements (as defined below) (collectively, the "Claimants"). Claimants assert their claim for security (the "Security") owed and any other amounts due or that may become due pursuant to the Payment Agreement for Insurance Risk Management Services, between the Claimants and Gainey Corporation, the related schedules and any amendments thereto (collectively, the "Agreement") annexed hereto as Exhibit A. Requests for a letter of credit have been made in the amount of \$8,325,000, and no letter of credit has been provided. The Agreement provides for arbitration of this dispute and Claimants hereby demand arbitration thereunder.

S:\MLevitt\CASES\Gainey Corporation\demand for arbitration

**RELIEF CLAIMED AND NATURE OF DISPUTE**

Claimants seek an award requiring the delivery of Security under the Agreement, for any other amounts due or that may become due, for all legal fees and costs, and such further relief as is appropriate.

**DEMAND FOR ARBITRATOR**

Claimants hereby demand that Respondent appoint an arbitrator within thirty (30) days of receipt of this Demand for Arbitration and notify Claimants in writing at the address stated below of such appointment.

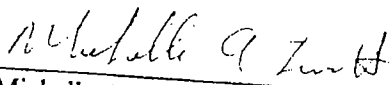
**HEARING LOCALE**

Claimants request that the arbitration hearing be held in New York, New York.

**CPLR Section 7503(c)**

Please take notice that Claimant invokes Section 7503(c) of the Civil Practice Law and Rules of New York ("Section 7503") for the sole purpose of notifying Respondent that unless Respondent applies to stay the arbitration within twenty (20) days after such service of this Demand for Arbitration, Respondent shall thereafter be precluded from objecting that a valid agreement to arbitrate was not made. In all other respects, Claimants affirmatively assert that the United States Arbitration Act, Title 9 of the United States Code, shall apply herein.

Dated: New York, New York  
March 8, 2007

  
Michelle A. Levitt, Esq.  
70 Pine Street, 28th Floor  
New York, New York 10270  
Telephone: (212) 770-7075

ATTORNEY FOR CLAIMANTS

S:\MLevitt\CASES\Gainey Corporation\demand for arbitration

## **PAYMENT AGREEMENT**

For

### **Insurance and Risk Management Services**

effective on the 01 day of June, 2006

by and between us,

**National Union Fire Insurance Company of Pittsburgh, Pa.**

On behalf of itself and all its affiliates including, but not limited to:

**American Home Assurance Company  
The Insurance Company of the State of Pennsylvania  
National Union Fire Insurance Company of Pittsburgh, Pa.  
Commerce and Industry Insurance Company  
Birmingham Fire Insurance Company  
Illinois National Insurance Company  
American International South Insurance Company  
AIU Insurance Company  
American International Pacific Insurance Company  
Granite State Insurance Company  
Landmark Insurance Company  
National Union Fire Insurance Company of Louisiana  
New Hampshire Insurance Company**

And You, our Client

**GAINEY CORPORATION  
6000 CLAY AVE SW  
GRAND RAPIDS MI 49548-5786**

In consultation with Your representative

**HNI TRUCK GROUP  
1621 COLONIAL PARKWAY  
INVERNESS IL 60067**

# **PAYMENT AGREEMENT**

## **TABLE of CONTENTS**

Title Page	
Table of Contents	1
Who Has Agreed To This Agreement?	2
What Have You And We Agreed To?	3
When Does This Agreement Begin?	3
When Will This Agreement End?	3
Which Words Have Special Meanings In This Agreement?	3
What Else Should You Know About Your Payment Obligation?	4
When Must You Pay Your Payment Obligation?	4
What Is the Payment Plan?	4
What Is the Billing Method?	4
What About Collateral?	5
What Is Default?	6
What May We Do In Case Of Default?	7
How Will Disagreements Be Resolved?	7
To Whom Must You and We Give Notices?	8
May Rights or Obligations be Assigned?	9
Will Past Forbearance Waive Rights under This Agreement?	9
Who Must Pay to Enforce This Agreement?	9
How May This Agreement Be Changed?	9
What If the Law Changes?	9
Are You Authorized to Make This Agreement?	9
Signatures	9
Schedule of Policies and Payments	10
	Appended

## **PAYMENT AGREEMENT**

### **WHO HAS AGREED TO THIS AGREEMENT?**

This Agreement is between:

- You, the organization(s) named as "our Client" in the *Schedule*, and
- us, the insurer(s) named in the *Schedule*.

The words "we", "us" and "our" in this Agreement refer to the insurer(s) named in the *Schedule*.

### **WHAT HAVE YOU AND WE AGREED TO?**

We have agreed to the following:

- to provide You insurance and services according to the *Policies* and other agreements; and
- to extend credit to You by deferring our demand for full payment of the entire amount of Your *Payment Obligation* if You make partial payments according to this Agreement.

To induce us to agree as above,

You have agreed to the following:

- to pay us all Your *Payment Obligation* and to perform all Your other obligations according to this Agreement and *Schedule* for all entities covered by the *Policies*;
- to provide us with collateral according to this Agreement and *Schedule*;

### **WHEN DOES THIS AGREEMENT BEGIN?**

This Agreement begins on the Effective Date shown in the first page (the title page) of this Agreement. Unless otherwise agreed in writing, this Agreement will also apply to any *Policies* and *Schedules* that we may issue as renewals, revisions, replacements or additions to the attached *Schedule* and the *Policies* listed there.

### **WHEN WILL THIS AGREEMENT END?**

This Agreement will end only after You and we have settled and paid all obligations between You and us relating to this Agreement. Neither You nor we may cancel this Agreement without the other's consent.

### **WHICH WORDS HAVE SPECIAL MEANINGS IN THIS AGREEMENT?**

Words with special meanings in the *Policies* have the same meanings in this Agreement as they have in the *Policies*. Non-italicized capitalized words in this Agreement are defined in the *Policies*, or their meanings are otherwise described in this Agreement.

The following are definitions of other special words. Terms printed in this Agreement in italic typeface have the meanings described below.

1. "ALAE" means Allocated Loss Adjustment Expense as defined in the *Policies*.
2. "Deductible Loss Reimbursements" means the portion of any Loss and ALAE we pay that You must reimburse us for under any "Deductible" or "Loss Reimbursement" provisions of a *Policy*.
3. "Loss" or "Losses" means damages, benefits or indemnity that we become obligated under the terms of the *Policies* to pay to claimants.
4. "Policy" or "Policies" means:
  - any of the insurance *Policies* described by their *Policy* numbers in the *Schedule*, and their replacements and renewals;
  - any additional insurance *Policies* that we may issue to You that You and we agree to make subject to this Agreement.
5. "Retained Amount" or "Retention" means one of the following:
  - Self-Insured Retention: the amount specified in the applicable *Policy* as Your Self-Insured Retention per occurrence, accident, offense, claim or suit; or
  - Deductible: the amount specified in the applicable *Policy* as the Reimbursable or Deductible portion of Loss per occurrence, accident, offense, claim or suit; or
  - Loss Limit: the portion of any Loss we pay because of an occurrence, offense, accident, claim or suit, that we will include in the computation of the premiums.

## PAYMENT AGREEMENT

The *Policies* show the type of *Retention* that applies to any specific occurrence, offense, accident, claim or suit.

6. "Schedule" means each of the attachments to this Agreement that describes specific elements of the Agreement for a specified period of time. Each *Schedule* is a part of this Agreement. Additional *Schedules* or amendments to *Schedules* may be attached to this Agreement from time to time by mutual agreement between You and us.
7. "You" or "Your" means the person or organization named as our Client in the title page of this Agreement, its predecessor and successor organizations, and each of its subsidiary, affiliated or associated organizations that are included as Named Insureds under any of the *Policies*. Each is jointly and severally liable to us for the entire amount of Your *Payment Obligation*.
8. "Your *Payment Obligation*" means the amounts that You must pay us for the insurance and services in accordance with the terms of the *Policies*, this Agreement, and any similar primary casualty insurance *Policies* and agreements with us incurred before the inception date hereof. Such amounts shall include, but are not limited to, any of the following, including any portions thereof not yet due and payable:
  - the premiums and premium surcharges,
  - *Deductible Loss Reimbursements*,
  - any amount that we may have paid on Your behalf because of any occurrence, accident, offense, claim or suit with respect to which You are a self-insurer,
  - any other fees, charges, or obligations as shown in the *Schedule* or as may arise as You and we may agree from time to time.

**Loss Reserves:** Your *Payment Obligation* includes any portion of the premiums, premium surcharges, *Deductible Loss Reimbursements* or other obligations that we shall have calculated on the basis of our reserves for Loss and ALAE. Those reserves shall include specific reserves on known Losses and ALAE, reserves for incurred but not reported Losses and ALAE, and reserves for statistically expected development on Losses and ALAE that have been reported to us. Any Loss development factors we apply in determining such reserves will be based on our actuarial evaluation of relevant statistical data including, to the extent available and credible, statistical data based upon Your cumulative Loss and ALAE history.

## WHAT ELSE SHOULD YOU KNOW ABOUT YOUR PAYMENT OBLIGATION?

**Amounts:** We will calculate Your *Payment Obligation* according to the methods stated in the *Policies* and any other similar primary casualty insurance *Policies* and agreements between us.

You must abide by the results under this Agreement of any payment of Loss or ALAE that the claims service provider or we shall have made in the absence of negligence and in good faith under any of the *Policies*.

**Credit:** Credit is extended to You whenever Your payment of some or all of Your *Payment Obligation* is postponed beyond the effective date of the insurance *Policies* to which such obligations pertain. Any extension of unsecured credit to You under this Agreement is extended only for the duration of the *Policy* year for which it is extended. It is subject to review and revision or withdrawal at each anniversary of this Agreement or at other times in accordance with the terms of this Agreement. Any extension of credit to You under this Agreement, including any deferral or waiver of the collection of collateral from You is not an assumption by us of any of Your obligations to us. Any extension of credit to You does not limit our right to enforce Your performance under this Agreement.

A Credit Fee may be charged for any unsecured credit extended to You. The Credit Fee, if any, is shown in the *Schedule*. Any such Credit Fee is an annual fee and applies only to the *Policy* year to which such *Schedule* applies. A renewal Credit Fee may be charged for the period of any renewed extension of unsecured credit, and shall be shown in the *Schedule* pertaining thereto.

Payment of the Credit Fee, if any, is neither payment of premium for insurance of any kind nor payment of *Deductible Loss Reimbursements*.

## WHEN MUST YOU PAY YOUR PAYMENT OBLIGATION?

All payments are due by the due date stated in the *Schedule*, or as respects Additional Payments, within 30 days of the later of the Invoice, Notice or Bill date or Your evidenced receipt date of the Invoice, Notice or Bill for each such Additional Payment.

## WHAT IS THE PAYMENT PLAN?

## **PAYMENT AGREEMENT**

### **Deposit and Installments**

You must pay us a Deposit and Installments in the amounts and by the dates shown in the *Schedule* for the *Policies* described in the *Schedule*.

**Claims Payment Deposit:** If so shown in the *Schedule*, the Deposit includes a Claims Payment Deposit. The Claims Payment Deposit will not bear interest. We will return the amount of the Claim Payment Deposit to You when You have paid us all amounts due us.

If the total amount of claims we shall have paid on Your behalf exceeds the sum of the Claims Payment Deposit for three (3) consecutive billing periods, we may require You to pay us additional funds for the Claims Payment Deposit. However, the entire Claims Payment Deposit shall not exceed 250% of the average amount of the claims we had paid in each of the prior 3 periods.

### **Additional Payments**

You must also make payments in addition to the Deposit and Installments according to the Payment Method described under "Additional Payments" in the *Schedule*.

## **WHAT IS THE BILLING METHOD?**

**Deposit and Installments:** You must pay us the amounts shown in the *Schedule* as "Installments". You must pay us those amounts by their Due Dates shown there.

**Additional Payments:** You have chosen the Direct Billing Method or the Automatic Withdrawal Method, or a combination of both. Your choice is shown in the *Schedule*.

### **Direct Billing Method**

For the Additional Payments described under "WHAT IS THE PAYMENT PLAN?", we will further bill You as necessary for the payment of Losses we must pay or have paid within Your Retention and Your share of ALAE covered by the *Policies*. We will not bill more than permitted under any Aggregate Stop or Maximum Premium or Maximum Insurance Cost provisions that apply to the *Policies*.

### **Automatic Withdrawal Method**

For the Additional Payments described under "WHAT IS THE PAYMENT PLAN?", we will draw funds from the "Automatic Withdrawal Account" described in the *Schedule* as necessary for the payment of Losses within Your Retention and Your share of ALAE covered by the *Policies*. We will not withdraw more than permitted under any Aggregate Stop or Maximum Premium or Maximum Insurance Cost provisions that apply to the *Policies*. You hereby authorize us to withdraw funds from that Account upon our demand. You must pay enough cash into that "Automatic Withdrawal Account" to cover our expected payments of Loss within Your Retention and Your share of ALAE during the next Claims Payment Fund Coverage Period shown in the *Schedule*. The minimum amount of such cash funds is shown in the *Schedule* as "Minimum Amount". You must make a payment in that amount into that Account immediately whenever its balance falls below 25% of that amount. Interest earned on that Account belongs to You.

## PAYMENT AGREEMENT

### WHAT ABOUT COLLATERAL?

#### Collateral Is Required

You must deliver collateral acceptable to us to secure *Your Payment Obligation* at the time(s), in the form(s) and in the amount(s) shown in the *Schedule*. Subject to the terms of this Agreement, we may apply any collateral we hold in connection with this or any other similar primary casualty insurance *Policies* or agreements to *Your Payment Obligation*.

#### Grant of Security Interest and Right to Offset

You grant us a possessory security interest in any property You deliver to us to secure *Your Payment Obligation*. You also grant us a continuing first-priority security interest and right of offset with respect to all premiums, surcharges, dividends, cash, accounts, or funds that are payable to You and are now or may in the future come into our possession in connection with *Your Payment Obligation*. You agree to assist us in any reasonable way to enable us to perfect our interest. You direct us to hold all such sums as collateral for *Your Payment Obligation* as they may be payable now or may become payable in the future.

#### Letter of Credit

Any letter of credit must be clean, unconditional, irrevocable and evergreen. It must be from a bank that we and the Securities Valuation Office of the National Association of Insurance Commissioners have approved and in a form acceptable to us. It must be in the amount shown in the *Schedule*.

If any letter of credit is canceled, no later than 30 days before that letter of credit expires, You must deliver to us a substitute letter of credit that complies with the requirements set forth above. Upon Your written request, we will not unreasonably withhold our consent to a reasonable extension of the time within which You must deliver such a substitute letter of credit to us. The substitute letter of credit must take effect no later than the date of termination of the expiring letter of credit. Your duty to deliver such a letter of credit will continue until You have satisfied all Your obligations under this Agreement and the *Policies*. If You fail to provide us with a qualifying substitute letter of credit as indicated above, we may draw upon the existing letter of credit in full.

#### Other Collateral

With respect to any collateral we accept other than a letter of credit, including but not limited to any collateral we hold in trust or escrow, any agreements between You and us about our respective rights and obligations with respect to such collateral are incorporated by reference into this Agreement. Nothing in those agreements will limit or modify any of our rights under this Agreement.

#### Collateral Reviews

The collateral we require to secure *Your Payment Obligation* is subject to reviews and revisions as described below.

We will review our collateral requirement annually. In addition, we may review our collateral requirement at any time that we may deem reasonably necessary, including at any time after an event such as but not limited to the following:

1. the non-renewal or cancellation of any *Policy* to which this Agreement applies,
2. the failure or violation of any financial covenants or tests, or minimum financial rating (if any) specified in the *Schedule*,
3. the occurrence of any direct or indirect transaction for the merger or consolidation, or the conveyance, sale, transfer, dividend, spin-off, lease, or sale and lease back, of all or any material portion of Your property, assets, business or equity to any other entity,
4. any material adverse change in the financial condition of You, Your subsidiaries or affiliates taken separately or in combination, or any other entity on which we rely for security or guarantee in connection with this Agreement.

You and we will cooperate with each other and each other's designated consultants in the conduct of such reviews.

If as a result of any review we find that we require additional collateral, You will provide us such additional collateral within 30 days of our written request, which shall be accompanied by a worksheet showing our calculation of the amount thereof. If a return of collateral to You is indicated, we will return annually the indicated amount to You within 30 days of our written acknowledgement thereof.

## PAYMENT AGREEMENT

### Collateral Adjustment Procedure

The additional collateral that You must provide us will be in the amount of the difference between the total unpaid amount of Your *Payment Obligation* and the total amount of Your collateral that we then hold. We may adjust the collateral requirement relating to the unexpired term of the *Policies* on the basis of our evaluation of Your financial condition. If such difference is a negative sum, that sum is the amount that we will return to You. However, we are not obligated to return collateral to You if You are in default of any provision of this Agreement or any other similar agreement relating to Your primary casualty insurance with us.

### Financial Information

You must provide financial information to us as a basis for our collateral reviews within 14 days after our request. If You are not subject to the reporting requirements of the Securities and Exchange Act of 1934, You must provide us copies of Your audited annual financial statements.

If we so request, You must provide us such financial information as we may reasonably deem necessary to determine Your financial condition, including but not limited to copies of Your completed quarterly financial statements. Those statements must include the following:

- balance sheet,
- income statement,
- statement of retained earnings,
- cash flow statement,
- notes to the statements, and
- any supplemental schedules.

### Reporting Requirement

Give us prompt notice of the event of any default as described in the section titled "What is a Default", or any event described in the section titled "Collateral Reviews" in this Agreement, that has happened or is about to happen.

As an alternative to the above, at Your option, provide us with the same notices at the same time that You provide such notices to any other creditor regarding any material financial or operational condition that You are obligated to report to such other creditor.

## WHAT IS DEFAULT?

Default is any of the following:

1. failure by You or any of Your subsidiaries or affiliates to perform within 5 days after its due date any obligation You or any of Your subsidiaries or affiliates have under this Agreement or any other agreement with us.
2. Your insolvency, or the occurrence of any of the following:
  - the commencement of liquidation or dissolution proceedings, Your general failure to pay debts as they become due, general assignment by You for the benefit of creditors, the filing by or against You of any petition, proceeding, case or action under the provisions of the United States Bankruptcy Code or other such law relating to debtors, the appointment of, or the voluntary or involuntary filing for a petition for the appointment of, a receiver, liquidator, rehabilitator, trustee, custodian or similar official to take possession or control of any of Your property; or
  - Your default on any material outstanding debt not cured within its applicable cure period, if any.
3. the cancellation by You, without our prior consent, of any *Policy* material to this agreement. However, Your concurrent cancellation of all the unexpired *Policies* shall not constitute default.
4. the discovery of any material inaccuracy or incompleteness in any representation, warranty or condition precedent You make in connection with this Agreement, the insurance afforded by any of the *Policies* or Your *Payment Obligation*.

## WHAT MAY WE DO IN CASE OF DEFAULT?

If default occurs, we may take reasonable and appropriate steps that are necessary to protect our interest. We will exercise good faith consistent with usual and customary commercial and credit practice in selecting and exercising such steps. We may take steps such as the following:

## **PAYMENT AGREEMENT**

1. We may declare the entire unpaid amount of *Your Payment Obligation* immediately due and payable.
2. We may change any or all unexpired *Policies* under Loss Reimbursement or Deductible plans to Non-Deductible plans for the remaining term of any such *Policy*, to become effective after ten days written notice to You. We will therewith increase the premiums for those *Policies* in accordance with our applicable rating plan.
3. We may draw upon, liquidate, or take ownership of any or all collateral we hold regardless of the form, and hold or apply such amounts to any of *Your Payment Obligations* under this Agreement or any other premium, surcharge or deductible financing agreement between You and us, or under any *Policies*. However we will not draw upon, liquidate, or take ownership of more collateral than is reasonably necessary to protect our interest.
4. We may require You to deliver to us additional collateral, including an amendment to the letter of credit or an additional letter of credit or other additional collateral. The other additional collateral, letter of credit or its amendment must conform to the requirements described above. You must deliver it within 15 days of Your receipt of a written notice from us.
5. We may cancel any or all unexpired *Policies* as if for non-payment of premium or *Deductible Loss Reimbursements*. We may apply any return of premium resulting from the cancellation to remedy any default.
6. We may withhold payment of claims to You or any of Your subsidiaries or affiliates.
7. We may satisfy Your obligations to us in whole or in part by set-off against any moneys, securities, collateral, consideration or property of yours received by, pledged to, held by or otherwise available to us in connection with *Your Payment Obligation*. You authorize us after any default to charge any account that You maintain with us in connection with *Your Payment Obligation* in order to satisfy any of Your obligations.

## **HOW WILL DISAGREEMENTS BE RESOLVED?**

### **What if we disagree about payment due?**

- If You disagree with us about any amount of *Your Payment Obligation* that we have asked You to pay, within the time allowed for payment You must:
- give us written particulars about the items with which You disagree; and
  - pay those items with which You do not disagree.

We will review the disputed items promptly and provide You with further explanations, details, or corrections. You must pay us the correct amounts for the disputed items within 10 days of agreement between You and us about their correct amounts. Any disputed items not resolved within 60 days after our response to Your written particulars must immediately be submitted to arbitration as set forth below. With our written consent, which shall not be unreasonably withheld, You may have reasonable additional time to evaluate our response to Your written particulars.

So long as You are not otherwise in default under this Agreement, we will not exercise our rights set forth under "What May We Do in Case of Default?", pending the outcome of the arbitration on the disputed amount of *Your Payment Obligation*.

### **What about disputes other than disputes about payment due?**

Any other unresolved dispute arising out of this Agreement must be submitted to arbitration. You must notify us in writing as soon as You have submitted a dispute to arbitration. We must notify You in writing as soon as we have submitted a dispute to arbitration.

### **Arbitration Procedures**

**How arbitrators must be chosen:** You must choose one arbitrator and we must choose another. They will choose the third. If You or we refuse or neglect to appoint an arbitrator within 30 days after written notice from the other party requesting it to do so, or if the two arbitrators fail to agree on a third arbitrator within 30 days of their appointment, either party may make an application to a Justice of the Supreme Court of the State of New York, County of New York and the Court will appoint the additional arbitrator or arbitrators.

**Qualifications of arbitrators:** Unless You and we agree otherwise, all arbitrators must be executive officers or former executive officers of property or casualty insurance or reinsurance companies or insurance brokerage companies, or risk management officials in an industry similar to Yours, domiciled in the United States of America not under the control of either party to this Agreement.

## **PAYMENT AGREEMENT**

**How the arbitration must proceed:** The arbitrators shall determine where the arbitration shall take place. The arbitration must be governed by the United States Arbitration Act, Title 9 U.S.C. Section 1, et seq. Judgment upon the award rendered by the arbitrators may be entered by a court having jurisdiction thereof.

You and we must both submit our respective cases to the arbitrators within 30 days of the appointment of the third arbitrator. The arbitrators must make their decision within 60 days following the termination of the hearing, unless You and we consent to an extension. The majority decision of any two arbitrators, when filed with You and us will be final and binding on You and on us.

The arbitrators must interpret this Agreement as an honorable engagement and not merely a legal obligation. They are relieved of all judicial formalities. They may abstain from following the strict rules of law. They must make their award to effect the general purpose of this Agreement in a reasonable manner.

The arbitrators must render their decision in writing, based upon a hearing in which evidence may be introduced without following strict rules of evidence, but in which cross-examination and rebuttal must be allowed.

The arbitrators may award compensatory money damages and interest thereupon. They may order You to provide collateral to the extent required by this Agreement. They will have exclusive jurisdiction over the entire matter in dispute, including any question as to its arbitrability. However, they will not have the power to award exemplary damages or punitive damages, however denominated, whether or not multiplied, whether imposed by law or otherwise.

**Expenses of Arbitration:** You and we must each bear the expense of our respective arbitrator and must jointly and equally bear with each other the expense of the third arbitrator and of the arbitration.

This Section will apply whether that dispute arises before or after termination of this Agreement.

## **TO WHOM MUST YOU AND WE GIVE NOTICES?**

We will mail or deliver all notices to You at Your address in the Schedule. You must mail or deliver all notices to our Law Representative with a copy to our Account Executive at the address specified in the Schedule. All notices must be in writing.

## **MAY RIGHTS OR OBLIGATIONS UNDER THIS AGREEMENT BE ASSIGNED?**

Neither You nor we may assign our rights or obligations under this Agreement without the written consent of the other, which shall not be unreasonably withheld.

## **WILL PAST FORBEARANCE WAIVE RIGHTS UNDER THIS AGREEMENT?**

Past forbearance, neglect or failure to enforce any or all provisions of this Agreement, or to give notice of insistence upon strict compliance with it, will not be a waiver of any rights. A waiver of rights in a past circumstance will not be a course of conduct that waives any rights in any subsequent circumstance.

## **WHO MUST PAY TO ENFORCE THIS AGREEMENT?**

If You or we fail to perform or observe any provisions under this Agreement, the other may incur reasonable additional expenses to enforce or exercise its remedies. Either You or we must reimburse the other upon demand and presentation of clear and convincing supporting evidence for any and all such additional expenses.

## **HOW MAY THIS AGREEMENT BE CHANGED?**

This Agreement may be changed only by agreement by You and us, as evidenced by a written addendum to this Agreement, duly executed by the authorized representatives of each.

## **WHAT IF THE LAW CHANGES?**

If any part of this Agreement should become unenforceable because of any change in law, the remainder of this Agreement will remain in full force and effect.

## **ARE YOU AUTHORIZED TO MAKE THIS AGREEMENT?**

You hereby represent and warrant that Your execution, delivery and performance of this Agreement have been authorized by all necessary corporate actions. The individual executing this agreement on Your behalf has full right and authority to execute and deliver this agreement and to bind You jointly and severally.

## PAYMENT AGREEMENT

### **SIGNATURES**

TO SIGNIFY AGREEMENT, You and we have caused this Agreement to be executed by the duly authorized representatives of each.

For **National Union Fire Insurance Company of Pittsburgh, Pa.,**

On behalf of itself and its affiliates first listed above:

In New York, New York,

This 10<sup>th</sup> day of July, 2006

Signed by [Signature]

Typed Name Scott R. Westburg

Title Authorized Representative

For You, our Client

**Client's Name**

In \_\_\_\_\_

This 29 day of June, 2006

Signed by [Signature]

Typed Name DAVID CARTER

Title VP

# ADDENDUM to the PAYMENT AGREEMENT

## LOSS DEVELOPMENT FACTORS

This Addendum changes the Payment Agreement. Please read it carefully.

This Addendum is effective 06/01/2006, and forms a part of the Payment Agreement effective 1 June 2006 between

You, **GAINEY CORPORATION**, and  
Us, National Union Fire Insurance Company of Pittsburgh, Pa. and all its affiliates.

Loss Development Factors (LDF's) are multipliers that we use to help us estimate the final amount of Your Payments Obligation because of the final amounts of loss and ALAE arising out of accidents, occurrences, or offenses covered by the insurance to which the Payment Agreement applies.

To estimate such final amounts of loss and ALAE, we will:

1. determine as of a specific valuation date and separately by kind of insurance the total amount of such loss and ALAE that we will have paid and reserved for future payment on specific claims under the Policies; and
2. multiply such total amount of loss and ALAE by the LDF shown in the Grid below next to that valuation date under that kind of insurance.


If the valuation date falls between two dates in the Grid, we will determine the applicable LDF by linear interpolation.

We may apply a different table of LDF's that will enable us more accurately to estimate such final amount of loss and ALAE, if during the term of the policies,

1. a change occurs in the hazards insured against because of your acquisition or disposition of a subsidiary, division or operation with assets at least equal to 20% of your assets on the effective date hereof, or
2. we change the organization that provides claims service under the policies, or
3. we change your retention under any of the policies, or
4. any other change occurs which is likely to render the LDF's shown in the Grid ineffective in estimating with reasonable accuracy the final amount of loss and ALAE that we will pay because of accidents, occurrences, or offenses covered by the Policies.

**GRID of Loss Development Factors**

Valuation Date	Kind of Insurance			
	Workers Comp LDF's	General Liability LDF's	Auto Liability LDF's	_____ LDF's

 6/29/06  
Authorized Signature for you, and Date

  
Authorized Signature for us, and Date

EDM-1100

**2006 Addendum  
to  
PAYMENT AGREEMENT**

By and between us  
National Union Fire Insurance Company of Pittsburgh, Pa.  
On behalf of itself and all its affiliates including, but not limited to:  
American Home Assurance Company  
The Insurance Company of the State of Pennsylvania  
National Union Fire Insurance Company of Vermont  
National Union Fire Insurance Company of Pittsburgh, Pa.  
Commerce and Industry Insurance Company  
Birmingham Fire Insurance Company  
Illinois National Insurance Company  
American International South Insurance Company  
AIU Insurance Company  
Granite State Insurance Company  
Landmark Insurance Company  
New Hampshire Insurance Company  
(Company, "we", "us" or "our")  
and You, our Client  
**GAINEY CORPORATION**  
6000 CLAY AVE SW  
GRAND RAPIDS MI 49548-5785

This Addendum is attached to and forms a part of the Payment Agreement entered into between Company and Client as of the 1 day of June, 2006

1. The section entitled **WHO HAS AGREED TO THIS AGREEMENT?**, is deleted and replaced with the following:  
This Agreement is between:
  - You, the organization(s) named as "our Client" in the *Schedule*, and
  - us, the insurers set forth above as "Company", "we", "us" and "our" in this Addendum.
2. The section entitled **WHICH WORDS HAVE SPECIAL MEANINGS IN THIS AGREEMENT?**, 8. - Your Payment Obligation, is deleted and replaced with the following:  
"Your Payment Obligation" means the amounts that You must pay us for the insurance and services in accordance with the terms of the *Policies*, this Agreement, and any similar primary casualty insurance policies and agreements with us incurred before the inception date hereof. Such amounts shall include, but are not limited to, any of the following, including any portions thereof not yet due and payable:
  - the premiums and premium surcharges, taxes and assessments,
  - Deductible Loss Reimbursements,
  - any amount that we may have paid on Your behalf because of any occurrence, accident, offense, claim or suit with respect to which you are a self-insurer,
  - any other fees, charges, or obligations as shown in the *Schedule* or as may arise as You and we may agree from time to time.

- costs and expenses incurred by any third party administrator.

**Loss Reserves:** Your Payment Obligation includes any portion of the premiums, premium surcharges, *Deductible Loss Reimbursements* or other obligations that we shall have calculated on the basis of our reserves for Loss and ALAE. Those reserves shall include specific reserves on known Losses and ALAE, reserves for incurred but not reported Losses and ALAE, and reserves for statistically expected development on Losses and ALAE that have been reported to us. Any Loss development factors we apply in determining such reserves will be based on our actuarial evaluation of relevant statistical data including, to the extent available and credible, statistical data based upon Your cumulative Loss and ALAE history.

**Premium Tax on Deductibles:** If any claim is made by any state regulatory authority that the amounts which You have paid us as deductible reimbursements hereunder are premium, and thus subject to premium taxes and/or assessments, we will notify You of the existence of such claim. We will give You the opportunity of joining with us in any proceeding to contest such claim at Your own expense, or to contest such claim independently at Your own expense. In the event a determination is made that said reimbursed amounts are taxable as premium or subject to assessments, You agree to pay the premium taxes and/or assessments and any related fines, penalties or interest that may be imposed as a result of the non-payment of premium taxes and/or assessments applicable to the Policies. Any state in which premium tax on deductible reimbursements is already included in the premium charged hereunder will be identified on the Schedule.

- The section entitled: **WHAT ELSE SHOULD YOU KNOW ABOUT YOUR PAYMENT OBLIGATION?** is amended to include the following:

We will contract with a Third Party Administrator (TPA) that you select for the adjustment of your claims under the Policies provided that we consent to your selection in advance. Our relationship with the TPA will be governed by a claims service agreement between us and the TPA, a copy of which will be made available to you upon your request. Any TPA you select must meet all of our licensing requirements. You will be responsible for any costs associated with any change from one TPA to another TPA that we or you make at any time. We will exercise good faith consistent with usual and customary commercial practice before we change one TPA to another TPA. Any amounts we pay to any TPA on your behalf shall be considered part of Your Payment Obligation, and shall include, but not be limited to the following: cost of adjusting expense at new TPA; costs or losses incurred as a result of claims handling conduct of prior TPA, including fines and penalties; fines and penalties for failure to submit accurate data to regulatory bureaus; data transfer expense; costs to retrieve or recreate information not properly maintained by prior TPA; and costs to set up new escrow account.

- The section entitled: **WHEN MUST YOU PAY YOUR PAYMENT OBLIGATION?** is amended to include the following:

All payments are due by the due date stated in the Schedule, or as respects Additional Payments, within 30 days of the later of the invoice, Notice or Bill date or Your evidenced receipt date of the Invoice, Notice or Bill for each such Additional Payment. If payment is not made when due, interest will accrue on the unpaid balance daily after the due date at the Prime Rate then in effect at Citibank, N.A., NY, NY, plus 150 basis points.

- The section entitled: **WHAT ABOUT COLLATERAL?** is amended to include the following:

**Collateral Exchange:**

At our sole discretion we may approve Your substitution or exchange of one form or instrument of collateral for another. Any replacement collateral must be in a form and drawn on a bank or insurer acceptable to us. If the original collateral was in the form of cash on which interest was being earned, a substitution may result in a change to the interest rate. We will not approve your substitution or exchange of collateral if you are in Default of any of the terms of this Agreement or have triggered any applicable Financial Covenants, Tests or Minimum Credit Ratings shown in the Schedule.

- The section entitled: **HOW WILL DISAGREEMENTS BE RESOLVED? ARBITRATION PROCEDURES - How Arbitrators Must Be Chosen**, is deleted and replaced with the following:

**How arbitrators must be chosen:** You must choose one arbitrator and we must choose another. They will choose the third. If you or we refuse or neglect to appoint an arbitrator within 30 days after written notice from the other party requesting it to do so, or if the two arbitrators fail to agree on a third arbitrator within 30 days of their appointment, either party may make application only to a court of competent jurisdiction in the City, County, and State of New York. Similarly, any action or proceeding concerning arbitrability, including motions to compel or to stay arbitration, may be brought only in a court of competent jurisdiction in the City, County, and State of New York.

- The section entitled: **ARE YOU AUTHORIZED TO MAKE THIS AGREEMENT?** is amended to include the following:

This Agreement together with the Schedules, Addenda, Policies and any related agreements between You and Us, constitute the basis for a program of insurance coverage. We would not have entered into any of them without your agreement on all of them. For that reason, you should review all such documents together when making any accounting, tax or legal determinations relating to the insurance program.

**IN WITNESS WHEREOF**, the parties hereto have caused this Addendum to be executed by their duly authorized representatives.

For **National Union Fire Insurance Company of Pittsburgh, Pa.**,  
On behalf of itself and its affiliates first listed above:

In New York, New York,  
This 10<sup>th</sup> day of July, 2006  
Signed by [Signature]  
Typed Name Scott R. Westburg  
Title Authorized Representative  
**For You, our Client**

**GAINEY CORPORATION**

In \_\_\_\_\_  
This 29 day of June, 2006  
Signed by [Signature]  
Typed Name DAVID CARTER  
Title VP

## LARGE RISK RATING PLAN ENDORSEMENT

### PLAN TYPE SHORT TERM

This endorsement changes the policy to which it is attached effective on the inception date of the policy unless a different date is indicated below.

(The following "attaching clause" needs to be completed only when this endorsement is issued subsequent to the preparation of the policy.)

This Endorsement, effective 12:01 AM 06/01/2006 forms a part of Policy Number WC 1166852  
Issued to **GAINEY CORPORATION**

By The Insurance Company of the State of Pennsylvania.

### PART I. GENERAL TERMS and CONDITIONS

This endorsement determines the *Final Premium* for the insurance provided during the Rating Period by this policy, any other policy described in this endorsement in Section 1 of PART II, and the renewals and replacements of each (the "policies"). The Rating Period begins and ends at 12:01 AM on the respective dates shown in Section 1 of PART II. If the Plan Type of this endorsement states Construction Project, this endorsement applies only to, and for the duration of, the construction project described in Section 1 of PART II.

The rates and the basis types described in PART II will remain fixed for the duration of the Rating Period, except (if applicable) Section 7 "Claims Service Charges on Fee Basis", Section 8 "Taxes, Assessments and Surcharges", and any applicable items set forth in Section 11 "Exceptions". These exceptions will be subject to change at each anniversary of the beginning of the Rating Period.

#### Section 1. Premium Calculation

The *Final Premium* for the policies will be the sum of the total *Subject Premium* and the total *Non-Subject Premium*. The way that the total *Subject Premium* will be determined is described below and is shown in Section 9, Item A of PART II. The way that the total *Non-Subject Premium* will be determined is described below and is shown in Section 9, Item B of PART II.

A. **Total Subject Premium:** The total *Subject Premium* for the policies will be determined separately by state and kind of insurance. For each state and kind of insurance, the *Subject Premium* shall be the sum of *Subject Losses* and the Charges for the Insurance Charge, Expenses and Profit divided by the Tax/Assessment Divisor as determined below.

1. **Subject Losses:** The first part of the *Subject Premium* will be the sum of all *Subject Losses* under any applicable terms of the policies described in Section 1 of PART II and as identified in Section 5, Item A of PART II.
2. **Charges for Insurance Charge, Expenses and Profit:** The second part of the *Subject Premium* will be the component parts of the *Subject Premium* other than *Subject Losses* that are identified as line items in Section 9, Item A of PART II.

The entire estimated amount of each such charge can be found in Section 9, Item A of PART II subject to any applicable Minimum Premium shown for it.

We will apportion the entire amount of each such charge to each kind of insurance and state covered under the policies in proportion to the respective *Standard Premium* of each, except that:

- a. Charges for claims service expenses will be allocated in proportion to respective *Subject Losses*, and
- b. Charges for administrative expenses and profit for the kinds of insurance in the states described in Section 2 of PART II will be the difference between:
  - i. the *Final Premium* for such kinds of insurance and states determined as provided for in the policy other than by this Endorsement, and
  - ii. the sum of *Subject Losses*, all other charges for the Insurance Charge, Expenses and Profit included in this item 2, taxes and assessments determined through the application of the Tax/Assessment Divisor, and *Non-Subject Premiums* for such states.

3. **Tax/Assessment Divisor:** One (1.000) less the Tax/Assessment Rate as shown in Section 9 Item A of PART II. The rate is calculated as indicated in Section 8 of PART II.

B. **Total Non-Subject Premium:** The part of the *Final Premium* for the kinds or layers of insurance described in Section 9, Item B of PART II will be calculated as shown therein. If no *Basis of premium determination* is shown in Section 9, Item B of PART II, the *Basis of premium determination* will be the *Standard Premium* for the kinds or layers of insurance described in Section 9, Item B of PART II.

## LARGE RISK RATING PLAN ENDORSEMENT

### Section 2. Schedule of Premium Adjustments

- A. The estimated *Final Premium* is shown in Section 9, Item C of PART II. We will recalculate the estimated *Final Premium* as soon as practicable after the First Valuation Date shown in Section 5 of PART II. We will recalculate the estimated *Final Premium* annually thereafter until you and we agree in writing that no more recalculations will be done.
- B. Additional premium due us, or return premium due you, resulting from the calculation or recalculation of the *Final Premium*, will be payable in its entirety promptly unless otherwise specified in a premium finance agreement between you and us.

### Section 3. Expected Total Cost

In addition to *Final Premium*, you may be liable under the terms of the policies for reimbursements of certain losses and *Allocated Loss Adjustment Expenses* we pay, subject to any *Minimum Cost* and *Maximum Cost* as described below, and surcharges. Our estimated amounts for such additional costs, if any, are shown in Section 9, Item C of PART II.

- A. **Minimum Cost:** If a *Minimum Cost* is applicable, that amount is the minimum you must pay for the *Subject Premium* and, if applicable, *Non-Subject Premium*, *Reimbursable Losses*, *Deductible Losses*, *Self-Insured Losses* and *ALAE* itemized in Section 6 Item A. c. of PART II. Component items not itemized in Section 6, Item A. c. of Part II are not included in the *Minimum Cost*. If an Adjustment Rate and a *Basis of Adjustment* are shown in Section 6, Item A. a. of PART II, the *Minimum Cost* will be determined by multiplying the Adjustment Rate by the actual *Basis of Adjustment* as determined by our final audit of your books and records.
- B. **Maximum Cost:** If a *Maximum Cost* is applicable, that amount is the maximum you must pay for *Subject Premium* and, if applicable, *Non-Subject Premium*, *Reimbursable Losses*, *Deductible Losses*, *Self-Insured Losses* and *ALAE* itemized in Section 6 Item B. c. of PART II. Component items not itemized in Section 6, Item B. c. of Part II are not included in the *Maximum Cost*. If an Adjustment Rate and a *Basis of Adjustment* are shown in Section 6, Item B. a. of PART II, the *Maximum Cost* will be determined by multiplying the Adjustment Rate by the actual *Basis of Adjustment* as determined by our final audit of your books and records.

### Section 4. Definitions

- A. "Aggregate Stop Amount" means the maximum amount of benefits, damages and *ALAE* payable by you for losses under the policies described in Section 1 of PART II, subject to any *Aggregate Stop Limit*.
- B. "Aggregate Stop Limit" means the maximum amount of benefits, damages and *ALAE* above the *Aggregate Stop Amount* that we will not require you to reimburse us for under any Loss Reimbursement or Deductible terms of the policies described in Section 1 of PART II.
- C. "Allocated Loss Adjustment Expenses" or "ALAE" will include all fees for service of process and court costs and court expenses; pre- and post-judgment interest; attorneys' fees; cost of undercover operative and detective services; costs of employing experts; costs for legal transcripts, copies of any public records, and costs of depositions and court-reported or recorded statements; costs and expenses of subrogation; and any similar fee, cost or expense reasonably chargeable to the investigation, negotiation, settlement or defense of a loss or a claim or suit against you, or to the protection and perfection of your or our subrogation rights.  
ALAE will not include loss adjustment expenses explicitly included in the premium calculation formula of Section 1, Paragraph A, Item 2 of this PART I or otherwise explicitly included in the rating values shown in PART II; nor the salary, employee benefits, or overhead of any of our employees, nor the fees of any attorney who is our employee or under our permanent retainer; nor the fees of any attorney we retain to provide counsel to us about our obligations, if any, under any policy issued by us or our affiliated companies, with respect to a claim or suit against you.  
ALAE Option selected and shown in Section 3 of PART II is described below.
  - a. Option A: *Subject Loss* includes all or a part of all ALAE such that the *Subject Loss* will not exceed the applicable Retained Amount.
  - b. Option B: *Subject Loss* includes 100% of all ALAE.
  - c. Option C: *Subject Loss* includes all or a part of ALAE calculated according to the following formula:
    - i. if we incur NO obligation under the policies to pay damages, benefits or indemnity resulting from a claim. *Subject Loss* under that claim will include all ALAE up to the applicable Retained Amount.

## LARGE RISK RATING PLAN ENDORSEMENT

- ii. if we DO incur an obligation to pay damages, benefits or indemnity under the policies because of a claim, *Subject Loss* under that claim will include all *ALAE* incurred under that claim, multiplied by the amount of our obligation to pay damages or benefits up to the applicable *Retained Amount*, divided by the total amount of our obligation to pay damages or benefits.
- d. Option D: *Subject Loss* includes none of the *ALAE*.
- D. "*Basis*" will have the meaning(s) shown in Section 10 of PART II.
- E. "*Deductible Loss*" means any amount that you must reimburse us under a Deductible Endorsement of the policies described in Section I of PART II.
- F. "*Final Premium*" means the premium for the insurance afforded under the policies described in Section 1 of PART II and others as may be added by endorsement thereto, upon its final recalculation according to the terms of the policies and this endorsement. Prior to such final recalculation, the premium for such insurance is only the estimated premium.
- G. "*Incurred Loss*" means the total amount we have paid and have reserved for payment as damages or benefits because of an occurrence, accident, claim or suit, and all the *Allocated Loss Adjustment Expenses* we incur in connection therewith under a policy described in PART II, including reserves for occurrences, accidents, claims or suits that have happened but have not been reported to us and for statistically expected loss development on claims that have been reported to us.
- H. "*Minimum Cost*" means the minimum amount payable by you for the Schedule of *Subject Premium* and *Reimbursable Losses and Deductible Losses and Self-Insured Losses and ALAE*, if applicable, described in Section 6 of PART II.
- I. "*Maximum Cost*" means the maximum amount payable by you for the Schedule of *Subject Premium* and *Reimbursable Losses and Deductible Losses and Self-Insured Losses and ALAE*, if applicable, described in Section 6 of PART II.
- J. "*Non-Subject Premium*" means the premium not subject to the premium calculation of this endorsement.
- K. "*Reimbursable Loss*" means any amount that you must reimburse us under a Loss Reimbursement Endorsement of the policies described in Section I of Part II.
- L. "*Retained Amount*" means:
  - 1. the amount that is specified as your Self-Insured Retention or as the Loss Reimbursement amount or Deductible amount applicable to an *Incurred Loss* in the applicable policy; or
  - 2. if the foregoing does not apply, the largest part of any damages or benefits paid or payable under a policy because of any single accident, occurrence, claim or suit, that we will include in the computation of the *Subject Premium*.

Such amount is shown in Section 4 of PART II for each type of insurance afforded under the policies described in Section 1 of PART II.
- M. "*Self-Insured Loss*" or "*SIR*" means any loss you incur under a Self-Insured Retention of the policies described in Section I of PART II.
- N. "*Standard Premium*" means the premium as calculated according to the terms of each applicable policy, without application of this Endorsement, subject to the following:
  - 1. For Workers Compensation and Employers Liability Insurance, *Standard Premium* means the premium determined on the basis of our rates as approved by regulatory authority, the remuneration of your employees in the coverage period, your Experience Modifications and Schedule Modifications, Loss Constant, and Minimum Premiums. Determination of *Standard Premium* will exclude:
    - a. any discount that recognizes any reduction in our expense ratio based on premium size or other factors; or
    - b. any discount for a Loss Reimbursement or Deductible.
    - c. Expense Constant.
  - 2. For all other insurance, *Standard Premium* is the premium

## **LARGE RISK RATING PLAN ENDORSEMENT**

- a. any discount that recognizes any reduction in our expense ratio based on premium size or other factors;  
or
  - b. any discount for a Loss Reimbursement or Deductible.
- O. "Subject Loss" means the entire *Incurred Loss* (including any reimbursable or deductible portion of it) up to the sum of:
- 1. the damages or benefits we must pay or have paid up to the *Retained Amount*, and
  - 2. all or a part of the *Allocated Loss Adjustment Expenses* we incur in accordance with the *ALAE* Option shown in Section 3 of PART II and defined in Item C of this section.
- P. "Subject Premium" means the premium subject to retrospective adjustment on the basis described in Section 1, Paragraph A of this PART I.

### **Section 5. Exceptions and Changes**

All exceptions and changes, if any, to the provisions of PART I, PART II or PART III of this endorsement are set forth in Section 11 of PART II or in a written addendum hereto.

## LARGE RISK RATING PLAN ENDORSEMENT

### PART II. SCHEDULE of POLICIES and RATING VALUES

#### Section 1. APPLICATION of this Endorsement

**RATING PERIOD:** This Endorsement applies to the period beginning **06/01/2006** and ending **01/01/2007**.  
The Basis of Premium, Subject Losses, Self-Insured Losses, Minimum Cost, Maximum Cost, Minimum Premiums and Estimated Premiums shown in Section 5, Section 6, Section 7 and Section 9 of this PART II are estimated amounts for:

☐ the first year of the Rating Period, or ☒ the entire Rating Period.

**POLICIES:**

☒ This Endorsement applies to the policies described below, and to their replacements and renewals effective during the Rating Period, or

☐ This Endorsement applies to the policies described below, and to their replacements and renewals, and all subcontractor policies issued under a **Construction Project**.  
The Construction Project is described as follows:

N/A

a. Workers Compensation and Employers Liability Insurance policies:  
**WC 1166850, WC 1166851, WC 1166852, WC 1167177.**

b. Commercial General Liability Insurance policies:

c. Automobile Liability Insurance policies:

d. Other Insurance policies (described):

**Section 2. Premiums for insurance on risks in states described below will be determined in accordance with the terms of the applicable policy other than this endorsement.**

Kinds of Insurance	States
WC	FL(Florida WC)

#### Section 3. Allocated Loss Adjustment Expenses Options

ALAE Option (enter ALAE Option A, B, C or D as applicable)	If ALAE Option C, enter Excess %	Applies to
B	0%	WC 1166850, WC 1167177, WC 1166852, WC 1166851

## LARGE RISK RATING PLAN ENDORSEMENT

**Section 4. Retained Amounts:** ☒ applicable to all insureds; or ☐ refer to Extension Schedule

Kind of Insurance	Retained Amount	Applicable to	Limitations or Descriptions
<b>Workers Compensation</b>			
Workers Compensation and Employers Liability under State Law - Insured States	See Schedule	Each Accident or each Person for Disease	
Workers Compensation and Employers Liability under Federal Law - Insured States	See Schedule	Each Accident or each Person for Disease	
Workers Compensation and Employers Liability - Self-Insured States	See Schedule	Each Accident or each Person for Disease	
Employers Liability - Monopolistic States		Each Accident or each Person for Disease	
<b>Commercial General Liability</b>			
Premises, Operations, Personal and Advertising Injury, Medical Payments, or Damage to Property Liability	\$0	Each Occurrence	
Products or Completed Operations Liability	\$0	Each Occurrence	
[Other]		Each Occurrence	
<b>Commercial Automobile Liability, including UM/UIM and PIP/No Fault, if any</b>			
Automobile Liability	\$0	Each Accident	
Garage Liability	\$0	Each Accident	
[Other]		Each Accident	
Combined Kinds Retention		Each Occurrence	

### Section 5. Forecast of Subject Losses

We have shown our forecast of your *Subject Losses* below.

- a. Reimbursable and deductible portion of covered *Incurred Losses* (except amounts insured under "Deductible Liability Protection" policies, if any, subject to this Endorsement) \$3,900,000
- b. All other covered *Subject Losses* (including amounts insured under "Deductible Liability Protection" policies, if any, subject to this Endorsement) \$1,000,000

**First Loss Valuation Date:** 06/30/2007 and annually thereafter until all claims are closed or mutually agreed upon as to value.

### Section 6. Minimum Cost and Maximum Cost

The *Minimum Cost* and *Maximum Cost*, if any, will be applied as explained below.

**Item A. Minimum Cost:** ☐ applicable, or ☒ not applicable

Line of Insurance: None

- a. *Minimum Cost*, adjustable on the *Basis* and rate shown below:

*Basis of Adjustment:* \$0

## LARGE RISK RATING PLAN ENDORSEMENT

- b. *Self-Insured Losses* you incur to which no insurance under the policies described in Section 1 of this PART II applies **will NOT** be included in determining whether or when the *Minimum Cost* has been reached, except as described herein:

**Exceptions:** N/A

Our forecast of your *Self-Insured Losses* included in paragraph a. above \$0

- c. The following *Minimum Cost* itemization schedule applies:

**Item B. Maximum Cost:** ☐ applicable, or ☒ not applicable

**Line of Insurance:** None

The *Maximum Cost* will not be less than the estimated amount shown below, unless otherwise set forth in Section 11 of PART Two.

- a. *Maximum Cost*, adjustable on the *Basis* and rate shown below: \$0
- |                                |      |     |                         |        |
|--------------------------------|------|-----|-------------------------|--------|
| <i>Basis of Adjustment:</i>    | None | Per | 0                       |        |
| <i>Estimated Basis amount:</i> | \$0  |     |                         |        |
|                                |      |     | <b>Adjustment Rate:</b> | 0.0000 |

- b. *Self-Insured Losses* you incur to which no insurance under the policies described in Section 1 of this PART II applies **will NOT** be included in determining whether or when the *Maximum Cost* has been reached, except as described herein:

**Exceptions:** N/A

Our forecast of your *Self-Insured Losses* included in paragraph a. above \$0

- c. The following *Maximum Cost* itemization schedule applies:

## LARGE RISK RATING PLAN ENDORSEMENT

### Section 7. Claims Service Charges

☐ Charge shown in Section 9, Item A Subject Premium of PART II, or ☐ fee schedule described below.  
The Claims Service Provider is:

#### FEE SCHEDULE

☐ If X'ed here, the following fee schedule applies:

#### Claims Services Fee Schedule - Rates per Claimant

Type of Claim	Rate per Claimant	Estimated No. of Claimants	Estimated Fee
<b>Workers Comp</b>			
Medical	0.00	0	\$0
Indemnity	0.00	0	\$0
California	0.00	0	\$0
Texas	0.00	0	\$0
AOS	0.00	0	\$0
Surcharge Claims	0.00	0	\$0
Other	0.00	0	\$0
<b>General Liability</b>			
Bodily Injury	0.00	0	\$0
Property Damage	0.00	0	\$0
Other	0.00	0	\$0
<b>Product Liability</b>			
Bodily Injury	0.00	0	\$0
Property Damage	0.00	0	\$0
Other	0.00	0	\$0
<b>Automobile Liability</b>			
Bodily Injury	0.00	0	\$0
Property Damage	0.00	0	\$0
Physical Damage	0.00	0	\$0
Other	0.00	0	\$0
Incident Reports	0.00	0	\$0
Int. to Designated States	0.00	0	\$0
Other	0.00	0	\$0
<b>Estimated Total Rate-per-Claimant Fee</b>			<b>\$0</b>

# **LARGE RISK RATING PLAN ENDORSEMENT**

☐ If X'ed here, the following fee schedule applies:

<b>Additional Service Fees Details</b>			
<b>Additional Service Fees</b>	<b>Item Count</b>	<b>Rate/Item</b>	<b>Estimated Fee</b>
Quarterly Loss Report	0	0.00	\$0
Subcontractor Interoffice Supervision	0	0.00	\$0
Magnetic Tape Fee	0	0.00	\$0
Subrogation	0	0.00	\$0
Appraisals	0	0.00	\$0
TPA Expenses	0	0.00	\$0
GAB Expenses	0	0.00	\$0
Cash Management Account Services	0	0.00	\$0
Claim File Reviews	0	0.00	\$0
Contingency Recovery Fees	0	0.00	\$0
Incoming Quality Control	0	0.00	\$0
Legal Cost Control	0	0.00	\$0
Location Visits	0	0.00	\$0
Semiannual Client Meetings	0	0.00	\$0
RMIS Reports	0	0.00	\$0
Customized Account Servicing	0	0.00	\$0
Structured Settlement Program	0	0.00	\$0
Reporting	0	0.00	\$0
Conversion	0	0.00	\$0
Minimum Adjusting Fee	0	0.00	\$0
Intellirisk Charges	0	0.00	\$0
Administration Fee	0	0.00	\$0
<b>Estimated Additional Services Fee</b>			<b>\$0</b>
<b>Tail Fees Details</b>			
<b>Tail Fees</b>	<b>Item Count</b>	<b>Rate/Item</b>	<b>Estimated Fee</b>
Workers Comp Med. Only	0	0.00	\$0
Workers Comp. Indemnity	0	0.00	\$0
General Liability	0	0.00	\$0
Products Liability	0	0.00	\$0
Auto Liability	0	0.00	\$0
Maintenance	0	0.00	\$0
<b>Estimated Tail Fee</b>			<b>\$0</b>

# **LARGE RISK RATING PLAN ENDORSEMENT**

☐ If X'ed here, the following fee schedules applies:

## **Fee Schedule - Time and Expenses**

Type of Charge	Rate	Per	Est. Units	Estimated Fee
Investigating Service by Employed Staff		Hour		
Adjuster		Hour		
General Adjuster		Hour		
Executive General Adjuster		Hour		
Heavy Equipment Appraiser		Hour		
Auto Damage Appraiser		Hour		
Property Damage Appraiser		Hour		
Supervisor		Hour		
Examiner		Hour		
Account Manager		Hour		
Subcontracted Investigations And Appraisals		Hour		
Clerical and Statistical Processing		Hour		
Other Expenses, including		Hour		
Telephone		Minute		
Postage & Express Mail		Cost		
Auto Mileage, Rental, Tolls, Parking		Mile		
Photocopies		Copy		
Photography		Photo		
Public Transportation		Cost		
Overhead		Flat		
Services Outside of USA				
<b>Estimated Total Time and Expense</b>				<b>\$0</b>
<b>Estimated Total Claims Service Expenses</b>				<b>\$0</b>

## **LARGE RISK RATING PLAN ENDORSEMENT**

---

### **Section 8. Taxes and Assessments**

The taxes and assessments determined by the method indicated by the box "X'd" below shall apply in determining the *Final Premium* earned under the policies described in Section 1 of Part II during the first annual term of this endorsement. If the Rating Period under this endorsement is longer than 1 year, we will provide you written notice of the applicable taxes and assessments for the subsequent term of the Rating Period not less than thirty (30) days prior to each anniversary of this endorsement.

#### ☒ **Item A. Fixed Rates**

The Average Rates for taxes and assessments are shown in Item A. of Section 9 of PART II. The Average Rates will be fixed and applied without change in determining the *Final Premiums* earned under the policies described in Section I of PART II during the first annual period of this Endorsement.

#### ☐ **Item B. Rates to be Recalculated**

The Average Rates for taxes and assessments are shown in Item A. of Section 9 of Part II. The Average Rates will be recalculated to determine the *Final Premium* under the policies described in Section I of PART II, based on the rates shown in the chart below.

## LARGE RISK RATING PLAN ENDORSEMENT

**Section 9. The Rating Values and Amounts** shown below apply as the *Basis* of the *Final Premium* for the policies described in Section 1 of this Part II.

If the Rating Period exceeds one year; and if the estimated *Basis* of Premium, Minimum Premiums and Estimated Premiums shown below apply only to the first year, on or about each anniversary of the beginning of the Rating Period, we will issue an extension of this Section to show the rating values and amounts for each subsequent year of the Rating Period.

### Item A. Subject Premium, part of Final Premium

Line Items	Rates	Per	Basis Types	Estimated Basis	Minimum Premium	Estimated Premium
Expected Primary Losses	0.0000	1	ULTIMATE LOSSES	0	\$0	\$1,000,000
Taxes/Assessments %	0.0000%	or	Taxes/Assessments Divisor:	0.000000	Subtotal	\$1,000,000
Estimated Total Subject Premiums						\$1,000,000

### Item B. Non-Subject Premiums, part of Final Premium

Coverage Description	Rates	Per	Basis Types	Estimated Basis	Minimum Premium	Estimated Premium
Non LRRP-WCFlorida WC	0.0000	1	STANDARD PREMIUM	0	\$0	\$204,735
WC AOS	1.6794	100	WC PAYROLL	87,400,146	\$1,467,798	\$1,467,798
Estimated Total Non-Subject Premiums						\$1,672,533

### Item C. Summary of Expected Total Cost

Estimated Final Premium (Part A. plus Part B)	\$2,672,533
Expected Reimbursable Losses and Deductible Losses and Self-Insured Losses and ALAE, if applicable	\$3,900,000
Minimum Cost from Section 6. If not applicable, show \$0	\$0
Maximum Cost from Section 6. If not applicable, show \$0	\$0
Surcharges:	\$204,517
<b>EXPECTED TOTAL COST</b>	<b>\$6,777,050</b>

## LARGE RISK RATING PLAN ENDORSEMENT

### Section 10. Basis of Premium:

- Payroll:** means all of the money or the substitute for money earned during the terms of the policies described in Section 1 of this PART II by you if you are the proprietor of the insured business, by all partners or joint venturers if you are a partnership or joint venture, by all members if you are a limited liability company, and by all employees including temporary employees and workers leased by you from any employee leasing organization for their services to you during the policy period, subject to limitations set forth in the New York Workers Compensation Rating Bureau's manual rules, if applicable.
- Sales:** means the gross amount of money you or others trading in your name have charged for all goods and services you or they have sold or distributed during the terms of the policies described in Section 1 of this PART II, including charges for delivery, installation, service and repair, and including taxes other than taxes which you or such others collect as a separate item and remit directly to a government division.
- Receipts:** means the gross amount of money you have charged others for work that you, your partners, your employees, your contractors and subcontractors at all levels have performed during the terms of the policies described in Section 1 of this PART II, including taxes other than taxes which you or such others collect as a separate item and remit directly to a government division.
- Cost:** means the total cost to you for all work performed for you during the terms of the policies described in Section 1 of this PART II by independent contractors and their subcontractors at all levels, including the cost of all labor, materials, equipment and supplies furnished, used or delivered for use in the execution of such work, whether furnished by the owner, by contractors, or subcontractors at any level, including but not limited to all fees, allowances, bonuses, and commissions either made, paid or due, as well as taxes other than taxes which you collect as a separate item and remit directly to a government division.
- Units:** means the number of items of the type specified in this endorsement. Units that you hold for use in your business will mean the sum of their number at the inception of the terms of the policies described in Section 1 of this PART II plus their number at their expiration or termination, times 50% of the fraction of a full year that such policies were in force. Units that you sell to others whether for your own account or the account of another means the total number of such units that you sell during the term of such policies.
- Indemnity** means the total amount we have paid and have reserved for payment as Workers Compensation
- Losses:** benefits other than Medical benefits under a policy described in this PART II, including reserves for accidents or illness that have happened but have not been reported to us and for statistically expected loss development on claims that have been reported to us.
- Other:** (Other)

### Section 11. Exceptions

**PART III. AGGREGATE STOP**  
The *Aggregate Stop Amount* and the *Aggregate Stop Limit*, if any, shown in the Schedule below will be applied as explained below.

1. **Section I. Aggregate Stop Amount**  
If an **Aggregate Stop Amount** is shown in the Schedule below, we will not include more than the **Aggregate Stop Amount** in the computation of the **Final Premium** and determination of maximum benefits, damages and "ALAE" payable or reimbursable by you under the terms of the policies described in Section I of PART II, subject to any **Aggregate Stop Limit** shown in the Schedule below.  
The maximum benefits, damages and **ALAE** to be included in the computation of the **Final Premium** will be the **Aggregate Stop Amount** shown in the Schedule below, less the following:
  - a) all **Subject Losses** that you must reimburse us for under any Loss Reimbursement or Deductible terms applicable to the policy covering the **Incurred Loss**, and
  - b) such amounts as described in Section III below that you have paid as **Self-Insured Losses**.
2. **Adjustment:** If an **Adjustment Rate** and an **Adjustment Basis** are shown in the Schedule below, the **Aggregate Stop Amount** shown in the Schedule below is only an estimate. The **Aggregate Stop Amount** will be finally determined by multiplying the **Adjustment Rate** by the final **Adjustment Basis** as determined by our audit of your books and records. The **Aggregate Stop Amount** will not be less than the estimated amount shown in the Schedule below, unless otherwise set forth in Section 11 of PART Two
3. The **Aggregate Stop Amount** will not be reduced on account of the cancellation of any policy to which this Endorsement applies.

**Section II. Aggregate Stop Limit**

1. If an *Aggregate Stop Limit* is shown in the Schedule below, that Limit is the most *Subject Losses* above the *Aggregate Stop Amount* that will be excluded from the computation of the *Final Premium* and which you will not be required to reimburse us for under any Loss Reimbursement or Deductible terms of the policies described in Section I of PART II.
2. The *Aggregate Stop Limit* will not be reduced on account of the cancellation of any policy to which this Endorsement applies.

**Section III. Self-Insured Losses**  
**Self-Insured Losses:** Losses you incur to which no insurance applies under the policies described in Section I of PART  
 It will NOT be included in determining whether or when the *Aggregate Stop Amount* or *Aggregate Stop Limit* have been  
 reached, except as described herein:  
 Exceptions: None

### Aggregate Stop Amount and Aggregate Stop Limit

The **Aggregate Stop Amount** and the **Aggregate Stop Limit** apply to the ☐ first year of, or ☐ entire Rating Period.

- Countersigned by \_\_\_\_\_

## EXTENSION SCHEDULE of the LARGE RISK RATING PLAN ENDORSEMENT

### **RETAINED AMOUNTS EXTENSION SCHEDULE**

This endorsement changes the policy to which it is attached effective on the inception date of the policy unless a different date is indicated below.

(The following "attaching clause" needs to be completed only when this endorsement is issued subsequent to the preparation of the policy.)

This Endorsement, effective 12:01 AM 06/01/2006 forms a part of Policy Number WC 1166852

Issued to **GAINEY CORPORATION**

By The Insurance Company of the State of Pennsylvania.

The following *Retained Amounts* apply in addition to those shown in Part II, section 4 of the Large Risk Rating Plan Endorsement attached to the policy described above.

Kind of Insurance	Retained Amount	Basis of Retention	Limitations or Descriptions
<b>Workers Compensation</b>			
Workers Compensation and Employers Liability under State Law - Insured States	\$500,000	Each Accident or each Person for Disease	
Workers Compensation and Employers Liability under Federal Law - Insured States	\$500,000	Each Accident or each Person for Disease	
Workers Compensation - Self-Insured States	\$0	Each Accident or each Person for Disease	
Employer's Liability - Monopolistic States	\$0	Each Accident or each Person for Disease	
<b>Workers Compensation</b>			
Workers Compensation and Employers Liability under State Law - Insured States(Florida WC)	\$500,000	Each Accident or each Person for Disease	
Workers Compensation and Employers Liability under Federal Law - Insured States(Florida WC)	\$500,000	Each Accident or each Person for Disease	
Workers Compensation - Self-Insured States	\$0	Each Accident or each Person for Disease	
Employer's Liability - Monopolistic States	\$0	Each Accident or each Person for Disease	

Countersigned by \_\_\_\_\_ Date \_\_\_\_\_  
(Authorized Signature)